

STATE PROPERTIES COMMITTEE

SPECIAL MEETING

FRIDAY, NOVEMBER 3, 2006

A special meeting of the State Properties Committee was called to order at 2:31 p.m. by Chairman Robert Griffith. Other members present were Mr. John Ryan, representing the Rhode Island Department of Administration, Attorney Genevieve Allaire Johnson representing the Rhode Island Department of Attorney General and Robert Kay, Public Member. Also in attendance were Jane Morgan, Craig Stenning and Paul Grenon from the Rhode Island Department of Mental Health, Retardation and Hospitals; Am Lisnoff and Michael Mitchell from the Rhode Island Department of Administration; Robert L. Carl, Jr., from The Homestead Group; and Kevin Madigan from the Senate Fiscal Office.

ITEM A -Department of Administration/Rhode Island Department of Education
-This item was deferred to the November 14, 2006, meeting of the State Properties Committee at the request of the Rhode Island Department of Administration.

Passed Unanimously

ITEMS B & C -Department of Mental Health Retardation and Hospitals
("MHRH") -A request was made for conceptual approval for the sale of properties located at 492 South Main Street and 504 Gaskill Street in the City of Woonsocket to The Homestead Group. Ms. Morgan explained that the State Properties Committee granted approval for the Department of Mental Health Retardation and Hospitals to purchase the Gaskill Street property on June 28, 1977. The property was purchased for the sum of approximately ninety thousand and 00/100 (\$90,000.00) dollars. The South Main Street

property was purchased in 1975 for the sum of approximately sixty-four thousand and 001100 (\$64,000.00) dollars. Ms. Morgan indicated that both properties were purchased with bond money and the bond indebtedness was satisfied long ago. However, Ms. Morgan explained that the intention behind the bond money was to ensure that individuals with developmental disabilities have safe and adequate buildings for their programs. Ms. Morgan indicated that The Homestead Group recently approached the Department of Mental Health Retardation and Hospitals and met with Director Nelson relative to a proposal concerning the subject properties. Ms. Morgan indicated that Director Nelson is very supportive of The Homestead Group's proposal. Both of these properties are in deplorable condition and cause significant liability for the State of Rhode Island. The Homestead Group wishes to purchase these properties from the State of Rhode Island for the sum of one dollar, which would alleviate the State of its liability concerning said properties. The Homestead Group would then sell the property. The proceeds from the sale of these properties will be utilized to finance substantial improvements to State-owned property located at Fabien Street in the City of Woonsocket. The Fabien Street property is currently utilized for programs which serve individuals with developmental disabilities. Ms. Morgan indicated that the Fabien Street property is in disrepair as well, and needs to be brought up to code in several areas. Ms. Morgan stated that if there is any remaining funds after the Fabien Street property is repaired, The Homestead Group will be required to spend said funds to increase residential capacity in the State of Rhode Island's system for individuals with developmental disabilities. Ms. Morgan explained that due to the lack of residential housing, many individuals are currently in costly hospital level care environments simply

because Department of Mental Health Retardation and Hospitals does not have appropriate placements for them. Additionally, there is a significant population of developmentally disabled individuals whose parents are aging and are seeking some type of residential placement for their children. If The Homestead Group should sell any property, which was purchased from the proceeds of the sale of these two properties, then those funds would return to the State or be reinvested into another residential property to continuously perpetuate the purpose of the original bond issuance. Ms. Morgan stated that she is aware of the surplus statute and that this proposal does not comport with some of the requirements of that statute. However, if that route is taken, the proceeds from the sale of the properties will go to the General Fund and individuals with developmental disabilities will not realize the benefits of said funds. Mr. Kay asked if the City of Woonsocket has condemned these properties. Ms. Morgan stated that condemnation is irrelevant. Mr. Grenon explained that the water pipes in both these properties froze and broke causing extensive water damage. The City of Woonsocket has not officially condemned the properties ; however, it has turned the electrical service off at the utility poles. Mr. Carl stated that he could easily have the properties condemned by the City of Woonsocket . These properties are extremely dangerous and create a huge liability for the State of Rhode Island. Mr. Carl is concerned that someone could seriously injure themselves if they attempted to enter either building, or a rescue worker could be injured while attempting to rescue someone from either of the buildings. Mr. Carl indicated that these properties were leased many years ago from the State of Rhode Island and served the developmentally disabled population very well. However, due to the lack of funds to properly maintain these properties, they have deteriorated and are now unlivable. Mr.

Carl indicated that The Homestead Group leases the Fabien Street property from the State of Rhode Island. This building has as many as three hundred disabled people in it daily. Mr. Carl stated that the building does not have a sprinkler system and the restrooms are a shambles. Mr. Carl indicated that he does not want to cause any trouble for the State of Rhode Island, but he is obligated to protect both the facilities and the individuals who utilize and need them. The Homestead Agency wishes to purchase the subject properties and utilized the proceeds to repair the Fabien Street building. Mr. Carl indicated that if this proposal is denied, the State of Rhode Island, as the landlord, will still be obligated to repair the Fabien Street building. In the event the State of Rhode Island does not make the necessary repairs, then The Homestead Group is prepared to litigate the matter. Mr. Carl stated that The Homestead Group wants to cooperate with the State to preserve all available resources for individuals with developmental disabilities. Mr. Carl indicated that the legislators previously passed bond issues every couple of years. There have been no bonds issued for many years and there is no money. Mr. Carl stated that there is now a chance to realize revenue from the sale of the subject properties. Said revenue will be utilized to repair the Fabien Street property without further financial burden to the State of Rhode Island. The Homestead Group wishes to be partners with the State of Rhode Island and work with it, not against it, to protect public officials and the developmentally disabled population. Mr. Stenning explained that the subject properties were basically abandoned by the agency that had previously leased them from the State of Rhode Island. The agency indicated that it was no longer able to utilize the properties to provide services to the developmentally disabled. At that time, the Division of Developmental Disabilities concluded that it was no longer advantageous to run group homes in these

properties because of the size and age of the structures. Mr. Stenning indicated that the buildings are not in compliance with the fire code and contain asbestos. Mr. Stenning stated that it would have been extremely expensive to repair the properties even prior to the water damage. Mr. Stenning indicated that the Division of Developmental Disabilities offered these properties to the Division of Behavioral Health. However, the Division of Behavioral Health was unable to find an appropriate use for the properties. The Division of Developmental Disabilities also approached the Arc of Northern Rhode Island and Northern Rhode Island Mental Health about forming a partnership relative to these properties, to no avail. Mr. Stenning indicated these properties have a very long and difficult history relative to attempting to find an appropriate use for them. Mr. Stenning indicated that he believes The Homestead Group's proposal is a viable solution to a very long standing problem. Mr. Stenning stated that these properties are a huge liability to the State of Rhode Island and he is amazed that Halloween came and went without incident. Mr. Stenning stated that the Division of Developmental Disabilities has resisted boarding up the properties, as this seems to be more of an invitation to vandals and trespassers than a deterrent. Also, these properties are in residential areas and the neighbors will not be pleased to learn that the State of Rhode Island has simply allowed these properties to remain vacant for almost three (3) years. Mr. Stenning indicated that the State of Rhode Island presently has to deal with two issues. One, it needs to somehow develop residential capacity. The second is properly maintaining the property the State already owns. Mr. Stenning reiterated that Director Nelson supports this project and believes it fits the vision, which she has been discussing with both the State Budget Office and the Governor's Office relative to these types of property. Ms. Morgan stated

that the Department of Mental Health, Retardation and Hospitals was involved in a very similar project with the Wilson House, which is a drug treatment facility in Pawtucket. Ms. Morgan stated that Department of Mental Health, Retardation and Hospitals has experience with similar transactions, which have been very successful. Mr. Griffith asked Ms. Morgan to clarify whether the Wilson House was rehabilitated from the proceeds of the sale, or if the Wilson House was sold and the proceeds from the sale were used to rehabilitate another specified property. Ms Morgan explained that the State of Rhode Island sold the Wilson House to Northern Rhode Island Metal Health for one dollar. Once Northern Rhode Island Metal Health had title to the property, it was able to access HUD funding, which the State of Rhode Island cannot access. Mr. Grenon explained that the Greenwich House is also a similar situation. The Greenwich House was a three-story Victorian home very much like the subject properties being lease by the Kent County Chapter RIArc from the State of Rhode Island. Among other problems, the residents were no longer able to climb the staircases in order to access their bedrooms. The Division of Developmental Disabilities had to find an appropriate facility for these individuals. Therefore, Kent County Chapter RIArc purchased the property from the State of Rhode Island for one dollar. It sold the property and took the total proceeds from the sale of the home and purchased a more appropriate home. It renovated said home making it handicapped accessible and installed a sprinkler system. Through this entire process, Kent County Chapter RIArc provided the Division of Developmental Disabilities with an accounting of how the funds were being utilized. The residents who were living in Greenwich House are now living very successfully in a renovated one-story ranch style home. If Kent County Chapter RIArc ever sells this home, the proceeds

from the sale will have to come back to the State of Rhode Island, or they will have to be reinvested in other residential opportunities; thereby, ensuring that the money is always used to benefit individuals with disabilities. Mr. Ryan clarified that the primary reason the Department of Mental Health, Retardation and Hospitals wants to deed these properties to The Homestead Group is because if the State sold them through the surplus process, there would be no restricted receipt account and the proceeds would be applied to the General Fund and the Department of Mental Health, Retardation and Hospitals would lose access to those funds. Ms. Morgan indicated that is the primary reason for deeding the properties to The Homestead Group. Ms. Morgan indicated that deeding these properties to The Homestead Group also relieves the State of Rhode Island from any liability associated with these properties. Mr. Ryan asked if Department of Mental Health, Retardation and Hospitals has a comprehensive plan which addresses the issues associated with these types of properties. Ms. Morgan indicated that Director Nelson is developing such a plan. Mr. Griffith asked if the water pipes burst in these properties because the water had not been turned off. Mr. Grenon indicated that the properties were being maintained and heated, however, the boilers malfunctioned and unfortunately no one was present at that time. Mr. Griffith asked if the State of Rhode Island has other properties which are vacant, but still being heated and serviced with water and electricity. Ms. Morgan indicated that the Plain Street property is vacant and she believes it is still being heated. Mr. Griffith stated that he realized that the Department of Mental Health, Retardation and Hospitals capitol budget is inadequate to its needs, however, he would like to know what the status of the Fabien Street capitol needs are, and whether it is part of a prioritized list in the Department of Mental Health, Retardation and Hospitals'

capitol budget. Mr. Grenon indicated that there is no money available for such extensive repairs. The Department is addressing emergency situations on a case by case basis. Mr. Griffith asked if the money, which has been requested in the current capitol budget, includes funds for repairing the Fabien Street property. Mr. Grenon indicated the capitol budget does not include funds for the Fabien Street property. Ms. Allaire Johnson asked how the issues relative to the Historical Preservation & Heritage Commission are going to be addressed. Ms. Morgan indicated that similar issues arose during the Wilson House project and that she and Mr. Sanderson, Executive Director of the Historical Preservation & Heritage Commission, worked together to address these issues. Ms. Morgan stated that Mr. Sanderson provided an easement. Ms. Morgan attached the easement to the Quit Claim Deed and the issues were resolved. Mr. Griffith asked if conceptual approval is granted, will Department of Mental Health, Retardation and Hospitals go through the due diligence process for these properties. Ms. Morgan indicated she would work with Dr. Carl to facilitate the due diligence process. Ms. Allaire Johnson asked if these properties were acquired by condemnation. Mr. Griffith indicated the properties were acquired fee simple with bond money. The bonds have been retired and therefore, if the State sells the properties, it is not obligated to pay back the bond. Mr. Kay asked if the Department of Mental Health, Retardation and Hospitals and The Homestead Group will return to the State Properties Committee with the details of the final plan. Ms. Morgan stated that she will prepare a ground agreement which will spell out the terms and conditions of the transaction, which will be presented to the State Properties Committee. Mr. Carl indicated The Homestead Group will provide the Department of Mental Health,